

VERDE POTASH PLC

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FIRST QUARTER ENDED 31 MARCH 2016



VERDE POTASH PLC

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016

The accompanying unaudited consolidated financial statements of Verde Potash Plc ("Verde", the "Company", or the "Group") for the first quarter ended 31 March 2016 have been prepared by and are the responsibility of the Company's management. They have been prepared in accordance with IAS 34 'Interim Financial Reporting' issued by the International Auditing and Assurance Board ("IAASB") and as adopted by the European Union and do not include all of the information and disclosures that would be required by International Financial Reporting Standards for annual audited financial statements. The interim consolidated financial statements should be read in conjunction with the Company's audited financial statements including the notes thereto for the year ended 31 December 2015. The financial information has not been reviewed or audited by the Company's auditor.

These financial statements have been approved by the Audit Committee and the Board of Directors of the Company.

VERDE POTASH PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 31 March 2016
(EXPRESSED IN CANADIAN DOLLARS)

	Note	3 months ended 31 Mar 2016 \$'000	3 months ended 31 Mar 2015 \$'000
Continuing operations			
Administrative expenses		(344)	(406)
Operating loss		(344)	(406)
Finance income		14	44
Loss before tax		(330)	(362)
Income tax expense		-	-
Loss for the period attributable to equity holders of the parent		(330)	(362)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		163	(2,052)
Other comprehensive income for the period (net of tax)		163	(2,052)
Total comprehensive income for the period attributable to equity holders of the parent		(167)	(2,414)
Loss per share			
Basic and diluted loss per share	4	(0.009)	(0.009)

VERDE POTASH PLC

STATEMENT OF FINANCIAL POSITION

As at 31 March 2016
(EXPRESSED IN CANADIAN DOLLARS)

	Note	31 Mar 2016 \$'000	31 Dec 2015 \$'000
Assets			
Property, plant and equipment	5	89	93
Intangible assets	6	21,710	21,386
Total non-current assets		21,799	21,479
Trade and other receivables		234	223
Cash and cash equivalents		3,358	3,735
Total current assets		3,592	3,958
Total assets		25,391	25,437
Equity attributable to the equity holders of the parent			
Issued capital	7	15,457	15,457
Share premium		45,475	45,475
Warrants reserve	8	-	-
Merger reserve		(4,557)	(4,557)
Translation reserve		(9,512)	(9,675)
Accumulated losses		(21,698)	(21,410)
Total equity		25,165	25,290
Liabilities			
Trade and other payables		226	147
Total current liabilities		226	147
Total liabilities		226	147
Total equity and liabilities		25,391	25,437

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STATEMENTS OF CASH FLOWS

**For the Quarter Ended 31 March 2016
(EXPRESSED IN CANADIAN DOLLARS)**

	3 months ended 31 Mar 2016 \$'000	3 months ended 31 Mar 2015 \$'000
Cash flows from operating activities		
Operating loss	(344)	(405)
Depreciation	5	8
Foreign exchange differences	3	(21)
Loss on disposal of property, plant and equipment	-	-
Share-based payments	42	66
(Increase)/decrease in receivables	(11)	39
Increase in payables	79	35
Net cash utilised in operating activities	(226)	(278)
Cash flows from investing activities		
Interest received	14	45
Acquisition of evaluation and exploration assets	(164)	(251)
Net cash from investing activities	(150)	(206)
Cash flows from financing activities		
Net cash from financing activities		-
Net decrease in cash and cash equivalents	(376)	(484)
Cash and cash equivalents at beginning of period	3,735	6,085
Effect of exchange rate fluctuations on cash held	(1)	(105)
Cash and cash equivalents at end of period	3,358	5,496

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period to 31 March 2015 (EXPRESSED IN CANADIAN DOLLARS)	Share capital \$'000	Share premium \$'000	Share warrant reserve \$'000	Merger reserve \$'000	Translation reserve \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 1 January 2015	15,457	44,533	942	(4,557)	(6,073)	(20,088)	30,214
Comprehensive loss							
Loss for the period	-	-	-	-	-	(362)	(362)
Foreign exchange translation differences	-	-	-	-	(2,052)	-	(2,052)
Total other comprehensive income	-	-	-	-	(2,052)	-	(2,052)
Total comprehensive loss for the period	-	-	-	-	(2,052)	(362)	(2,414)
Transactions with owners							
Expiry of warrants	-	942	(942)	-	-	-	-
Share-based payments	-	-	-	-	-	66	66
Transactions with owners	-	942	(942)	-	-	66	66
Balance at 31 March 2015	15,457	45,475	-	(4,557)	(8,125)	(20,384)	27,866
Period to 31 March 2016 (EXPRESSED IN CANADIAN DOLLARS)							
Balance at 1 January 2016	15,457	45,475	-	(4,557)	(9,675)	(21,410)	25,290
Comprehensive Income							
Loss for the period	-	-	-	-	-	(330)	(330)
Foreign exchange translation differences	-	-	-	-	163	-	163
Total other comprehensive income	-	-	-	-	163	-	163
Total comprehensive income for the period	-	-	-	-	163	(330)	(171)
Transactions with owners							
Expiry of warrants	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	42	42
Transactions with owners	-	-	-	-	-	-	-
Balance at 31 March 2016	15,457	45,475	-	(4,557)	(9,512)	(21,698)	25,165

VERDE POTASH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. Nature of operation and going concern

The Group raises financing for its development activities in separate tranches. The Group had working capital of \$3.4 million at 31 March 2016. In view of this, the directors consider that sufficient funds will be available to progress the Group's planned development programs and that it has adequate working capital for at least the next twelve months. Therefore, the directors consider it appropriate to prepare these financial statements on the going concern basis.

However, the existing funds will not be sufficient to bring the projects into production should it be warranted and, in due course, further funding will be required. In the event that the Group is unable to secure further finance it may not be able to fully develop its projects which may have a consequential impact on the recoverability of the carrying value of the related intangible assets. Additionally, if the Group is unable to develop its projects then it will have a consequential impact on the recoverability of the carrying value of investments in subsidiaries held by the parent company.

2. Basis of presentation

Verde is a company domiciled in England and Wales. The interim statements of the Company for the first quarter ended 31 March 2016 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the acquisition and development of mineral resource assets. The interim financial statements have been drawn up in accordance with International Accounting Standard 34 'Interim Financial Reporting' issued by the IASB and as adopted by the European Union.

The financial information contained in this interim report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. No statutory accounts for the period have been delivered to the Registrar of Companies. The financial information contained in this interim report has not been reviewed or audited by the Company's auditor.

The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial information are the same as those described in the Company's audited consolidated financial statements and notes thereto for the year ended 31 December 2015. The annual financial statements are prepared in accordance with IFRSs as adopted by the European Union and with IFRSs and the interpretations issued by the IASB.

In the opinion of management, the accompanying interim financial information includes all adjustments considered necessary for fair and consistent presentation of financial statements. These interim consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes for the year ended 31 December 2015.

The statutory accounts for the year ended 31 December 2015 have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

3. Operating segments

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker, C Veloso, in order to allocate resources to the segments and to assess their performance.

The Group's operations relate to the exploration for, and development of mineral deposits with support provided from the UK and as such the Group has only one segment.

4. Loss per share

Basic loss per share

The calculation of basic loss per share at 31 March 2016 was based on the loss attributable to ordinary shareholders of \$330,000 (31 March 2015: \$362,000) and a weighted average number of ordinary shares outstanding during the period ended 31 March 2016 of 37,617,000 (31 March 2015: 37,617,000) calculated as follows:

Loss attributable to ordinary shareholders

	3 months ended 31 Mar 2016	3 months ended 31 Mar 2015
	\$'000	\$'000
Loss for the period	(330)	(362)
Loss attributable to ordinary shareholders	(330)	(362)

Weighted average number of ordinary shares

	Number '000
Number of shares in issue on 1 January 2015	37,617
Effect of shares issued during period	-
Weighted average number of ordinary shares at 31 March 2015	<u>37,617</u>
Number of shares in issue on 1 January 2016	37,617
Effect of shares issued during period	-
Weighted average number of ordinary shares at 31 March 2016	<u>37,617</u>

There is no difference between the basic and diluted loss per share.

Details of share warrants and share options that could potentially dilute earnings per share in future periods are set out in notes 8 and 9 respectively.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

5. Property, plant and equipment

	Total \$'000
Cost	
Balance at 1 January 2015	416
Additions	-
Disposals	(66)
Effect of movements in foreign exchange	(51)
Balance at 31 December 2015	<u>299</u>
Balance at 1 January 2016	299
Disposals	(1)
Effect of movements in foreign exchange	2
Balance at 31 March 2016	<u>300</u>
Depreciation and impairment losses	
Balance at 1 January 2015	220
Depreciation charge for the year	29
Disposals	(22)
Effect of movements in foreign exchange	(21)
Balance at 31 December 2015	<u>206</u>
Balance at 1 January 2016	206
Depreciation charge for the year	5
Disposals	(1)
Effect of movements in foreign exchange	1
Balance at 31 March 2016	<u>211</u>
Carrying amounts	
At 1 January 2015	<u>196</u>
At 31 December 2015	<u>93</u>
At 1 January 2016	93
At 31 March 2016	89

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NOTES TO THE GROUP FINANCIAL STATEMENTS

6. Intangible assets

	Projects		Total exploration costs \$'000
	Cerrado Verde \$'000	Calcario \$'000	
Carrying value			
Balance at 1 January 2015	23,002	760	23,762
Additions	1,013	-	1,013
Effect of movements in foreign exchange	(3,252)	(137)	(3,389)
Balance at 31 December 2015	<u>20,763</u>	<u>623</u>	<u>21,386</u>
Balance at 1 January 2016	20,763	623	21,386
Additions	164	-	164
Effect of movements in foreign exchange	154	6	160
Balance at 31 March 2016	<u>21,081</u>	<u>629</u>	<u>21,710</u>
Carrying amounts			
At 1 January 2015	<u>23,002</u>	<u>760</u>	<u>23,762</u>
At 31 December 2015	<u>20,763</u>	<u>623</u>	<u>21,386</u>
At 1 January 2016	20,763	623	21,386
At 31 March 2016	21,081	629	21,710

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NOTES TO THE GROUP FINANCIAL STATEMENTS

7. Share capital

	31 Mar 2016	31 Mar 2016	31 Dec 2015	31 Dec 2015
	Number	\$'000	Number	\$'000
Authorised - Ordinary shares of \$0.3918 each	500,000,000	195,900	500,000,000	195,900
Issued - Ordinary shares of \$0.3918 each				
At beginning and end of period	37,617,430	15,457	37,617,430	15,457

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern so that it can continue to increase the value of the entity for the benefit of shareholders. Given the nature of the Group's current activities the entity will remain dependent on equity funding in the short to medium term until such time as the Group becomes self-financing from the commercial production of mineral resources.

8. Share warrants

	31 Mar 2016	31 Mar 2016	31 Dec 2015	31 Dec 2015
	Number	\$'000	Number	\$'000
Balance at beginning of period	-	-	222,868	942
Fair value of warrants issued during the period	-	-	-	-
Fair value of warrants lapsed during year	-	-	(222,868)	(942)
Balance at end of period	-	-	-	-

The share warrant reserve reflected the value of outstanding share warrants based on the fair value of the share warrants at the time of issue.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

9. Share-based payments

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	31 Mar 2016	31 Mar 2016	31 Dec 2015	31 Dec 2015
Outstanding at the beginning of the period	\$0.65	2,667,000	\$0.74	2,883,001
Granted during the period	-	-	\$0.38	240,000
Exercised during the period	-	-	-	-
Cancelled during the period	-	-	\$0.31	(110,000)
Forfeited during the period	\$4.85	(32,000)	\$1.34	(116,001)
Expired during the period	-	-	\$1.14	(230,000)
Outstanding at the end of the period	\$0.60	2,635,000	\$0.65	2,667,000
Exercisable at the end of the period	\$0.93	922,000	\$1.09	879,000

The options outstanding at 31 March 2016 have an exercise price in the range of \$0.40 to \$8.56 and a weighted average remaining contractual life of 8 years. Options issued prior to December 2014 vest in three annual tranches commencing on the date of grant subject to the grantee's continued service. Options issued in December 2014 vest in six annual tranches. Commencing on the date of grant, subject to the grantee's continued service, 10% of the options vest and an additional 10% vest each subsequent year. At the sixth year from the date of grant, the remaining 50% of the options vest. At 31 March 2016, 922,000 of the options had vested (31 December 2015: 879,000).

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NOTES TO THE GROUP FINANCIAL STATEMENTS

9. Share-based payments (continued)

Details of share options outstanding at 31 March 2016 are as follows:

Outstanding at beginning of period	Number of options				Outstanding at end of period	Exercisable at end of period	Option price \$	Exercisable period	
	Granted	Expired	Forfeited	Cancelled				Grant date	Expiry date
18,000	-	-	(18,000)	-	-	-	\$8.30	19 January 2011	19 January 2016
10,000	-	-	-	-	10,000	10,000	\$7.14	3 August 2011	3 August 2016
35,000	-	-	-	-	35,000	35,000	\$8.56	31 January 2012	31 January 2017
165,000	-	-	-	-	165,000	165,000	\$0.74	15 July 2013	15 July 2018
20,000	-	-	-	-	20,000	20,000	\$0.45	19 September 2013	19 September 2018
60,000	-	-	-	-	60,000	60,000	\$0.41	30 September 2013	30 September 2018
30,000	-	-	-	-	30,000	30,000	\$0.41	8 October 2013	8 October 2018
165,000	-	-	-	-	165,000	165,000	\$0.78	14 January 2014	14 January 2019
2,034,000	-	-	(14,000)	-	2,020,000	424,000	\$0.425	10 December 2014	10 December 2024
20,000	-	-	-	-	20,000	2,000	\$0.40	12 November 2015	12 November 2025
110,000	-	-	-	-	110,000	11,000	\$0.40	10 December 2015	10 December 2025
2,667,000	-	-	(32,000)	-	2,635,000	922,000			

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The expected life of the option (2.5 years) is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

Fair value of share options and assumptions

	31 Mar 2016 \$'000	31 Mar 2015 \$'000
Weighted average fair value of options granted during the period	-	-
Weighted average share price	-	-
Weighted average exercise price	-	-
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	-	-
Option life	-	-
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	-	-

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NOTES TO THE GROUP FINANCIAL STATEMENTS

9. Share-based payments (continued)

The expected volatility is based on the historic volatility of the share price (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. There are no market conditions associated with the share option grants.

	31 Mar 2016 \$'000	31Mar 2015 \$'000
Total expense recognised as employee and consultants costs	42	66

10. Financial instruments

The Board of Directors determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, interest rate risk and liquidity risk each of which is discussed below. There is no perceived credit risk as the Group and Company have no trade receivables and minimal other financial receivables and bank deposits are made with financial institutions considered to be safe by the Board of Directors. There were no derivative instruments outstanding at 31 March 2016.

Foreign currency risk

The Group's cash resources are mainly held in Canadian Dollars and Brazilian Reais. Exchange rate fluctuations may adversely affect the Group's financial position and results. The Group's financial results are reported in Canadian Dollars and its costs are primarily incurred in Canadian Dollars and Brazilian Reais.

The appreciation of Brazilian Reais against the Canadian Dollar could increase the actual capital and operating costs of the Group's mineral exploration projects and materially adversely affect the results presented in the Group's financial statements. Currency exchange fluctuations may also materially adversely affect the Group's future cash flows from operations, its results of operations, financial condition and prospects. The Group has a general policy of not hedging against foreign currency risks. The Group manages foreign currency risk by regularly reviewing the balances held in currencies other than the functional currency to match expected expenditure in foreign currency.

The Group and Company had the following cash and cash equivalents in various currencies including its presentational currency. The amounts are stated in Canadian Dollar equivalents:

	31 Mar 2016 \$'000	31 Dec 2015 \$'000
Canadian Dollars	3,108	3,302
Brazilian Reais	227	404
British Pounds	23	29
	3,358	3,735

At 31 March 2016 the Canadian Dollar deposit was held as a money market deposit, maturing in 30 days at an interest rate of 0.05%. The Brazilian Reais deposits are held as interbank deposit certificates, with no maturity, at a current interest rate of 13.73%.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

10. Financial Instruments (continued)

Foreign currency risk (continued)

Foreign currency risk sensitivity analysis showing a 10% weakening/strengthening of the Brazilian Reais against the Canadian Dollar with all other variables held constant is set out below. 10% represents managements' assessment of the reasonable possible exposure:

	Equity	
	31 Mar 2016	31 Dec 2015
	\$'000	\$'000
10% weakening of Brazilian Real	(33)	(51)
10% strengthening of Brazilian Real	40	62

Liquidity risk

To date the Group and Company have relied on shareholder funding to finance its operations. As the Group and Company have finite cash resources and no material income, the liquidity risk is significant and is managed by controls over expenditure and cash resources. In addition, the Group and Company do not have any borrowings and only have trade and other payables with a maturity of less than one year.

Interest rate risk

The Group's and Company's policy is to retain its surplus funds on the most advantageous term of deposit available up to twelve month's maximum duration. Given that the directors do not consider that interest income is significant in respect of the Group's and Company's operations no sensitivity analysis has been provided in respect of any potential fluctuations in interest rates.

Financial assets

The floating rate financial assets comprise interest earning bank deposits at rates set by reference to the prevailing LIBOR or equivalent to the relevant country. The Group and Company have no fixed rate deposits.

Fair values

In the directors' opinion there is no material difference between the book value and fair value of any of the Group's and Company's financial instruments.

Classes of financial instruments

The classes of financial instruments are the same as the line items included on the face of the statement of financial position and have been analysed in more detail in the notes to the accounts. All the Group's and Company's financial assets are categorised as loans and receivables and all financial liabilities are measured at amortised cost.